

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

JUNE 30, 2008

Baird, Cotter and Bishop, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

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LEROY, MICHIGAN

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October 23, 2008

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Pine River Area Schools
LeRoy, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pine River Area Schools, LeRoy, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pine River Area Schools' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pine River Area Schools, LeRoy, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of Pine River Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through xi and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pine River Area Schools, LeRoy, Michigan basic financial statements. The combining and individual financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole

BAIRD, COTTER AND BISHOP, P.C

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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Pine River Area Schools, a K-12 school district located in Lake, Osceola and Wexford Counties, Michigan, offers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the District's financial activity.

Financial Highlights

Government-Wide

- ❖ The assets of the District exceeded its liabilities at the close of this fiscal year by \$3,225,817 (shown as Net Assets), representing a decrease of \$597,152 over the previous fiscal year.

Fund Level Financial Highlights

- ❖ As of June 30, 2008, the governmental funds of Pine River Area Schools reported combined ending fund balances of \$3,426,915, of which \$3,034,540 is unreserved and \$392,375 is reserved.
- ❖ The unreserved fund balance of the District's General Fund decreased this year by \$827,288.

Long-Term Debt

- ❖ Pine River Area Schools' total long term debt **decreased** by \$242,940 during the fiscal year.

Overview of the Financial Statements

Pine River Area Schools' financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

A. Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represented those presented by business and industry. The entire District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pine River Area Schools, like other state and local

PINE RIVER AREA SCHOOLS
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds and Debt Service Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Governmental Funds Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the District's programs. These funds are accounted for using the full accrual method of accounting.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Assets

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the District's financial position over time. The Net Assets of the District are \$3,225,817 at June 30, 2008, meaning the District's assets were greater than its liabilities by this amount.

The following schedule summarizes the net assets at fiscal year ended June 30:

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets	\$ 4,581,666	\$ 5,339,622
Non Current Assets		
Capital Assets	12,513,148	12,191,685
Less Accumulated Depreciation	<u>(6,501,640)</u>	<u>(6,154,988)</u>
Total Non Current Assets	<u>6,011,508</u>	<u>6,036,697</u>
Total Assets	<u><u>\$ 10,593,174</u></u>	<u><u>\$ 11,376,319</u></u>
Liabilities		
Current Liabilities	\$ 1,553,581	\$ 1,470,432
Non Current Liabilities	<u>5,813,776</u>	<u>6,082,918</u>
Total Liabilities	<u>7,367,357</u>	<u>7,553,350</u>
Net Assets		
Invested in Capital Assets Net of Related Debt	396,508	121,697
Restricted for Debt Service	317,270	343,949
Unrestricted	<u>2,512,039</u>	<u>3,357,323</u>
Total Net Assets	<u>3,225,817</u>	<u>3,822,969</u>
Total Liabilities and Net Assets	<u><u>\$ 10,593,174</u></u>	<u><u>\$ 11,376,319</u></u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2008, the District's net assets decreased by \$597,152. A few of the more significant factors affecting net assets during the year are discussed below:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$346,652 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2008, \$321,463 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above. The District capitalized technology equipment and one bus.

The net effect of the new capital assets and the current year's depreciation is a net decrease in capital assets in the amount of \$25,189 for the fiscal year ended June 30, 2008.

E. Results of Operations

For the fiscal years ended June 30, 2008, and 2007, the results of operations, on a District-wide basis, were:

	<u>2008</u>	<u>2007</u>
General Revenues		
Property Taxes	\$ 2,270,466	\$ 2,237,465
Investment Earnings	121,040	160,503
State Sources	7,191,273	7,396,343
Other	<u>194,250</u>	<u>197,460</u>
Total General Revenues	<u>9,777,029</u>	<u>9,991,771</u>
Program Revenues		
Charges for Services	216,391	224,196
Operating Grants	1,773,812	1,782,133
Capital Grants	<u>15,267</u>	<u>114,494</u>
Total Program Revenues	<u>2,005,470</u>	<u>2,120,823</u>
Total Revenues	<u><u>\$ 11,782,499</u></u>	<u><u>\$ 12,112,594</u></u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
Expenses		
Instruction	\$ 6,964,124	\$ 6,674,568
Supporting Services	4,073,785	3,776,552
Food Service Activities	476,742	513,192
Athletic Activities	240,543	250,698
Interest on Long-Term Debt	275,310	286,561
Other Transactions	2,495	11,240
Unallocated Depreciation	<u>346,652</u>	<u>369,641</u>
Total Expenses	<u>12,379,651</u>	<u>11,882,452</u>
Change in Net Assets	<u>\$ (597,152)</u>	<u>\$ 230,142</u>

F. Analysis of Significant Revenues and Expenditures

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18.0000 mills of property taxes for operations on non-homestead properties, after the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the District levied \$1,711,390 in non-homestead property taxes. This represented an increase of 9.34% from the prior year. The amount of unpaid property taxes at June 30, 2008, was \$11,749.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Increase (Decrease) from Prior Year
2007-2008	\$ 1,711,390	9.34%
2006-2007	1,565,158	7.85%
2005-2006	1,451,225	6.92%
2004-2005	1,357,255	13.30%
2003-2004	1,197,838	-1.43%

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2007-2008 fiscal year, the District received \$7,204 per student FTE, which represented an increase of \$119 received for the 2006-2007 fiscal year.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE	FTE Change from Prior Year
2007-2008	1,271	(23)
2006-2007	1,294	(22)
2005-2006	1,316	(24)
2004-2005	1,340	(20)
2003-2004	1,360	(11)

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state, and other grants accounted for \$1,789,079. This represents a decrease of \$107,548 over the total grant sources of \$1,896,627 received for the 2006-2007 fiscal year.

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>	<u>\$10,360,793</u>	<u>\$10,590,227</u>	<u>\$10,654,733</u>
<u>EXPENDITURES</u>			
Instruction	\$ 7,067,028	\$ 7,204,815	\$ 6,927,139
Supporting Services	4,408,249	4,564,403	4,366,760
Transfers	203,622	198,163	188,122
Total Expenditures and Transfers	<u>\$11,678,899</u>	<u>\$11,967,381</u>	<u>\$11,482,021</u>

The original revenue budget of \$10,360,793 was increased to \$10,590,227 as a result of various adjustments needed to more accurately reflect the expected revenue. This includes increases in all budgeted categories of revenue.

H. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2007-2008 fiscal year, the District had invested \$6,011,508 net of accumulated depreciation in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a decrease of \$25,189 over the prior fiscal year. Depreciation expense for the year amounted to \$346,652 bringing the total accumulated depreciation to \$6,501,640 as of June 30, 2008.

2. Long-Term Debt

At June 30, 2008, the District had \$6,168,210 in long-term debt outstanding. This represents a reduction of \$242,940 from the amount outstanding at the close of the prior fiscal year.

I. Governmental Activities

The focus of Pine River Area Schools' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,426,915. Of this amount, 85.41% or \$2,926,835 is unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, or 3) for a variety of other restricted or designated purposes.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

The general fund is the chief operating fund of Pine River Area Schools. The general fund decreased its fund balance by \$827,288. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$2,926,835, while total fund balance was \$2,954,135. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

J. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

A comparison of expenditures by fund is as follows:

Expenditures	2007-2008 Fiscal Year	2006-2007 Fiscal Year	Increase (Decrease)
General Fund	\$11,293,899	\$10,588,916	\$ 704,983
Food Service Fund	483,720	513,508	(29,788)
Athletic Activities Fund	241,978	258,343	(16,365)
Debt Service Funds	579,930	574,395	5,535
Total Expenditures	<u>\$12,599,527</u>	<u>\$11,935,162</u>	<u>\$ 664,365</u>

K. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008-2009 fiscal year.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance, which will continue to put a strain on district resources. The District contracts with two employee groups, the Pine River Education Association and the Pine River Education Support Personnel Association.
- The District is facing a slow but steady decline in student enrollment. This decline is attributed to a loss in population rather than a loss by schools of choice.
- Due to the above factors, reductions have been made in the support areas of the school district. At this time no reductions have been made that affect class size or educational opportunities for students. Student achievement continues to be the main focus of the district, with all schools in the district maintaining and exceeding the state accreditation standards for achievement. All budget decisions are made with student achievement as top priority.

PINE RIVER AREA SCHOOLS
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

- The District has recognized the need to have an ongoing budget for bus replacement and technology replacement. Our bus vehicles are new and in excellent condition for the many miles they travel each day. The district has replaced all computer hardware within the last three years and the student body utilizes 1:3 ratio of computers per student, which is well above the standard set for schools. The district has an exemplary technology program with wireless access in all buildings and classrooms with the most current technology software, and with staff support for technology integration in the classroom.
- All of these factors were considered in preparing the Pine River Area Schools' budget for the 2008-2009 fiscal year.

Contacting the District's Financial Management

- This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Manager, Pine River Area Schools, 17445 Pine River Road, LeRoy, Michigan 49655.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 286,540
Taxes Receivable	11,749
Accounts Receivable	1,641
Due from External Parties (Fiduciary Funds)	19,591
Due from Other Governments	1,446,175
Inventories	30,709
Investments	2,785,261
Total Current Assets	<u>4,581,666</u>

NON CURRENT ASSETS

Capital Assets	12,513,148
Less Accumulated Depreciation	<u>(6,501,640)</u>
Total Non Current Assets	<u>6,011,508</u>
TOTAL ASSETS	<u><u>\$ 10,593,174</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 83,765
Accrued Expenses	437,527
Accrued Interest Payable	44,396
Salaries Payable	618,500
Deferred Revenue	14,959
Current Portion of Non Current Liabilities	<u>354,434</u>
Total Current Liabilities	<u>1,553,581</u>

NON CURRENT LIABILITIES

Bonds Payable	5,682,367
Retirement Incentive	76,512
Compensated Absences	409,331
Less Current Portion of Non Current Liabilities	<u>(354,434)</u>
Total Non Current Liabilities	<u>5,813,776</u>
Total Liabilities	<u>7,367,357</u>

NET ASSETS

Invested in Capital Assets Net of Related Debt	396,508
Restricted for Debt Service	317,270
Unrestricted	<u>2,512,039</u>
Total Net Assets	<u>3,225,817</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,593,174</u></u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES)
					REVENUES AND CHANGE IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction					
Basic Programs	\$ 5,389,891	\$ 0	\$ 220,426	\$ 10,545	\$ (5,158,920)
Added Needs	1,574,233	0	1,183,347	0	(390,886)
Supporting Services					
Pupil	313,786	0	7,458	0	(306,328)
Instructional Staff	105,367	0	3,726	4,722	(96,919)
General Administration	243,763	0	0	0	(243,763)
School Administration	840,605	0	0	0	(840,605)
Business	387,088	0	0	0	(387,088)
Operation and Maintenance of Plant	1,442,958	0	0	0	(1,442,958)
Pupil Transportation Services	740,218	0	0	0	(740,218)
Food Service	476,742	153,585	351,633	0	28,476
Athletic Activities	240,543	62,806	7,222	0	(170,515)
Interest on Long Term Debt	275,310	0	0	0	(275,310)
Other Transactions	2,495	0	0	0	(2,495)
Unallocated Depreciation	346,652	0	0	0	(346,652)
Total Governmental Activities	<u>\$ 12,379,651</u>	<u>\$ 216,391</u>	<u>\$ 1,773,812</u>	<u>\$ 15,267</u>	<u>(10,374,181)</u>
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					1,735,598
Property Taxes -Levied for Debt Service					534,868
Investment Earnings					121,040
State Sources					7,191,273
Other					194,250
Total General Revenues					<u>9,777,029</u>
Change in Net Assets					(597,152)
<u>NET ASSETS</u> - Beginning of Year					<u>3,822,969</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 3,225,817</u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2008

	GENERAL FUND	1999 PINE RIVER DEBT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 246,321	\$ 0	\$ 40,219	\$ 286,540
Taxes Receivable	10,752	997	0	11,749
Accounts Receivable	392	0	1,249	1,641
Due from Other Governments	1,442,416	0	3,759	1,446,175
Due from Other Funds	137,425	0	62,478	199,903
Inventories	27,300	0	3,409	30,709
Investments	2,294,064	491,197	0	2,785,261
TOTAL ASSETS	\$ 4,158,670	\$ 492,194	\$ 111,114	\$ 4,761,978
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 83,765	\$ 0	\$ 0	\$ 83,765
Accrued Expenses	437,527	0	0	437,527
Salaries Payable	618,500	0	0	618,500
Due to Other Funds	49,784	130,528	0	180,312
Deferred Revenue	14,959	0	0	14,959
Total Liabilities	1,204,535	130,528	0	1,335,063
<u>FUND BALANCES</u>				
Reserved for Inventory	27,300	0	3,409	30,709
Reserved for Debt Service	0	361,666	0	361,666
Unreserved, Undesignated	2,926,835	0	0	2,926,835
Unreserved, Designated - Special Revenue	0	0	107,705	107,705
Total Fund Balances	2,954,135	361,666	111,114	3,426,915
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,158,670	\$ 492,194	\$ 111,114	\$ 4,761,978

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2008

Total Governmental Fund Balances		\$3,426,915
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$12,513,148	
Accumulated depreciation is	<u>(6,501,640)</u>	6,011,508
Long term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(5,682,367)
Retirement Incentive		(76,512)
Compensated Absences		(409,331)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		<u>(44,396)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$3,225,817</u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	1999 PINE RIVER DEBT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 1,882,092	\$ 551,126	\$ 225,007	\$ 2,658,225
State Sources	7,946,978	0	20,480	7,967,458
Federal Sources	509,253	0	331,153	840,406
Other Transactions	316,410	0	0	316,410
Total Revenues	10,654,733	551,126	576,640	11,782,499
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	5,353,078	0	0	5,353,078
Added Needs	1,574,061	0	0	1,574,061
Supporting Services				
Pupil	321,346	0	0	321,346
Instructional Staff	106,450	0	0	106,450
General Administration	238,280	0	0	238,280
School Administration	816,948	0	0	816,948
Business	496,784	0	0	496,784
Operation and Maintenance	1,497,015	0	0	1,497,015
Pupil Transportation Services	889,937	0	0	889,937
Food Service	0	0	483,720	483,720
Athletic Activities	0	0	241,978	241,978
Debt Service				
Principal	0	300,000	0	300,000
Interest	0	277,435	0	277,435
Other Transactions	0	2,495	0	2,495
Total Expenditures	11,293,899	579,930	725,698	12,599,527
Excess (Deficiency) of Revenues Over Expenditures	(639,166)	(28,804)	(149,058)	(817,028)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	0	188,122	188,122
Transfers Out	(188,122)	0	0	(188,122)
Total Other Financing Sources (Uses)	(188,122)	0	188,122	0
Net Change in Fund Balances	(827,288)	(28,804)	39,064	(817,028)
<u>FUND BALANCES</u> - Beginning of Year	3,781,423	390,470	72,050	4,243,943
<u>FUND BALANCES</u> - End of Year	\$ 2,954,135	\$ 361,666	\$ 111,114	\$ 3,426,915

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances Total Governmental Funds \$ (817,028)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(346,652)
Capital Outlay	321,463

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	46,521
Accrued Interest Payable - End of Year	(44,396)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	300,000
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Employees Retirement Incentive and Accumulated Sick Pay are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Employees Retirement Incentive - Beginning of Year	55,727
Employees Retirement Incentive - End of Year	(76,512)
Accumulated Sick Pay - Beginning of Year	373,056
Accumulated Sick Pay - End of Year	<u>(409,331)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (597,152)</u></u>
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The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>		
Cash	\$ 0	\$ 53,705
Investments	29,147	64,811
	<hr/>	
TOTAL ASSETS	\$ 29,147	\$ 118,516
<hr/>		
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 19,591
Due to Groups and Organizations	0	98,925
	<hr/>	
TOTAL LIABILITIES	0	118,516
<u>NET ASSETS</u>		
Reserved for Trust Activities	29,147	0
	<hr/>	
TOTAL LIABILITIES AND NET ASSETS	\$ 29,147	\$ 118,516
<hr/>		

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2008

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 1,181
<u>DEDUCTIONS</u>	
Scholarships Awarded	<u>1,000</u>
CHANGE IN NET ASSETS	181
<u>NET ASSETS</u> - Beginning of Year	<u>28,966</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 29,147</u></u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Pine River Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Pine River Area Schools (the "District") is located in Lake, Osceola and Wexford Counties with its administrative offices located at 6735 N. Pine River School Road, LeRoy, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,271 students in elementary, middle, high school, and special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *1999 Pine River Debt Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary funds – account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

For fiscal year ended June 30, 2008, the per pupil foundation allowance was \$7,204 for Pine River Area Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Michigan Investment Liquid Asset Fund Plus (MILAF).

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two (2) years of the date of purchase.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1, and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.000
Debt Service Fund - Homestead and non-homestead	2.500

4. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the general and special revenue funds consist of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5-15 years

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulated earned but unused sick pay and comp time benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146, which allows the amortization of premiums, discounts and bond issuance costs, prospectively for all bonds issued after July 1, 2003.

8. Fund Equity

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt service funds. All annual appropriations lapse at fiscal year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 25, 2007, or as amended by the School Board of Education on June 30, 2008.

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following funds:

General Fund – Instructional Staff expenditures of \$106,450 exceeded appropriations of \$104,852.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments - Credit Risk

The District's deposits and investments are all on deposit with banks within the District and Michigan School District Liquid Asset Fund Plus.

Investment rate risk. The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

Foreign currency risk. The District is not authorized to invest in investments, which have this type of risk.

Credit risk. The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of credit risk. The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$144,397 of the government's bank balance of \$307,952 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end, all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Investments not subject to categorization:

Investment Trust Funds \$ 3,054,127

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2008, the fair value of the District’s investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$286,540	\$ 0	\$ 53,705	\$ 340,245
Investments	0	2,785,261	93,958	2,879,219
	<u>\$286,540</u>	<u>\$2,785,261</u>	<u>\$147,663</u>	<u>\$3,219,464</u>

B. Receivables

Receivables as of year end for the government’s individual major fund and nonmajor, and fiduciary funds are as follows:

	General	1999 Pine River Debt	Nonmajor and Other Funds	Total
Receivables				
Taxes	\$ 10,752	\$ 997	\$ 0	\$ 11,749
Accounts	392	0	1,249	1,641
Other Governmental Units	1,442,416	0	3,759	1,446,175
Total Receivables	<u>\$1,453,560</u>	<u>\$ 997</u>	<u>\$ 5,008</u>	<u>\$1,459,565</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Grants and Other Amounts Received but Not Yet Utilized	<u>\$ 0</u>	<u>\$ 14,959</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

C. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2007
Capital assets:				
Buildings and additions	\$ 8,998,950	\$ 29,796	\$ 0	\$ 9,028,746
Machinery and equipment	1,930,173	149,396	0	2,079,569
Transportation equipment	1,262,562	142,271	0	1,404,833
Subtotal	12,191,685	321,463	0	12,513,148
Less accumulated depreciation for:				
Buildings and additions	3,847,480	182,394	0	4,029,874
Machinery and equipment	1,456,675	91,319	0	1,547,994
Transportation equipment	850,833	72,939	0	923,772
Accumulated Depreciation	6,154,988	346,652	0	6,501,640
Net capital assets	\$ 6,036,697	\$ (25,189)	\$ 0	\$ 6,011,508

Depreciation for the fiscal year ended June 30, 2008, amounted to \$346,652. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the Long-Term Debt transactions for the School District for the year ended June 30, 2008:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

	GENERAL OBLIGATION SERIAL BONDS	DURANT SCHOOL IMPROVEMENT BONDS	ACCUMULATED SICK PAY AND RETIREMENT INCENTIVE	TOTAL
Long-Term Debt at July 1, 2007	\$ 5,915,000	\$ 67,367	\$ 428,783	\$6,411,150
Increase in Debt	0	0	91,398	91,398
Reductions in Debt	(300,000)	0	(34,338)	(334,338)
LONG-TERM DEBT AT JUNE 30, 2008	\$ 5,615,000	\$ 67,367	\$ 485,843	\$6,168,210
Due Within One Year	\$ 320,000	\$ 0	\$ 34,434	\$ 354,434

At June 30, 2008, the School District's long-term debt consisted of the following:

General Obligation Serial Bonds

1999 Refunding Bonds Due in Annual Installments of \$320,000 to \$540,000
through May 1, 2021, Plus Interest at 4.35% to 5.00% \$ 5,615,000

Self Liquidating Bond

1998 School Improvement Bond Due in Annual Installments of \$7,404 to
\$49,753 through May 15, 2013, Plus Interest at 4.07% 67,367

Accumulated Sick Pay

409,331

Retirement Incentive

76,512

\$ 6,168,210

The annual requirements to amortize all debt outstanding as of June 30, 2008, including interest payments of \$2,071,973 are as follows:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

<u>Year Ending June 30,</u>	<u>Bonds</u>		<u>Retirement Incentive</u>		<u>Amount Payable</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 320,000	\$ 271,687	\$ 34,434	\$ 0	\$ 626,121
2010	386,845	253,270	26,960	0	667,075
2011	361,570	236,407	15,118	0	613,095
2012	376,837	220,520	0	0	597,357
2013	397,115	203,777	0	0	600,892
2013-2017	2,255,000	727,332	0	0	2,982,332
2018-2021	1,585,000	158,980	0	0	1,743,980
	<u>\$5,682,367</u>	<u>\$2,071,973</u>	<u>\$ 76,512</u>	<u>\$ 0</u>	<u>7,830,852</u>
Accumulated Sick Pay					<u>409,331</u>
					<u>\$8,240,183</u>

The annual requirements to amortize the accrued sick leave are uncertain because it is unknown when the employees will use the sick leave. The General Fund will generally liquidate accumulated sick pay.

E. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 137,425	\$ 49,784
School Service Fund - Food Service	49,784	0
School Service Fund - Athletic Activities	12,694	0
Debt Service Fund - 1999 Debt	0	130,528
Agency Funds	0	19,591
	<u>\$ 199,903</u>	<u>\$ 199,903</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2008, are expected to be repaid within one year.

Interfund transfers as shown in the individual fund financial statements at June 30, 2008, were:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

	<u>TRANSFERS</u> <u>IN</u>	<u>TRANSFERS</u> <u>OUT</u>
General Fund	\$ 0	\$ 188,122
School Service Fund - Food Service Fund	10,000	0
School Service Fund - Athletic Activities Fund	178,122	0
	<u>\$ 188,122</u>	<u>\$ 188,122</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Leases

The rental expense for the year ended June 30, 2008, totaled \$43,372.

The rental expense consists of lease agreements on copiers. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	<u>PAYABLES</u>
2009	\$ 46,122
2010	46,122
2011	35,103
2012	<u>11,184</u>
	<u>\$ 138,531</u>

G. Designated and Reserved Fund Balance

The School has designated the fund balance as follows:

1. Food Service and Athletic Activities

The School's policy is to show fund balance of the Food Service Fund and Athletic Activities Fund as designated for those purposes.

2. Debt Service

The entire fund balances of the Debt Service Funds are reserved for debt service.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

3. Inventory

The General Fund Balance and Food Service Fund Balance are reserved for inventories to emphasize that these amounts are not appropriable for other purposes.

NOTE 4 - OTHER INFORMATION

A. Employee Retirement System

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% of payroll through September 2007, and 16.72% effective October 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007, and 2006 were \$1,042,250, \$1,033,284 and \$914,071 respectively, and were equal to the required contribution for those years.

Other Post Employment Benefits Funding Policy

Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008, or any of the prior three years.

C. Headlee Underfunding Settlement

The District received and accepted an offer from the State of Michigan to settle a lawsuit commonly known as the *Durant* case. This lawsuit related to the underfunding of state mandated special education services. The District will receive a total of \$210,897 as a result of this settlement as follows:

1. Fifty percent will be paid in ten annual installments of \$10,545 which began on November 15, 1998, without interest.
2. The remaining fifty percent was received on November 24, 1998, with bond proceeds from a Michigan Municipal Bond Authority bond program.

The ten year installment payments may be used only for textbooks, electronic instructional material, software, technology, infrastructure or infrastructure improvements, school buses, school security, technology training, or debt service payment on voter-approved bonds issued before November 19, 1997.

Money received through the Michigan Municipal Bond Authority bond program may be used only for purposes allowable under Section 1351a of the Revised School Code. Section 1351a allows payments relative to capital expenditures and improvements.

D. Sale of Future Revenues

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Lake, Osceola and Wexford Counties treasurer. For the 2007 tax roll, the District received a lump sum payment of \$221,461 for general operating tax revenues and \$68,924 for debt service tax revenue. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the counties are allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the counties are ultimately unable to collect any of these delinquent taxes, the District will have to repay the counties.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,853,421	\$ 1,864,621	\$ 1,882,092
State Sources	7,812,133	7,940,258	7,946,978
Federal Sources	483,025	505,172	509,253
Other Transactions	212,214	280,176	316,410
Total Revenues	<u>10,360,793</u>	<u>10,590,227</u>	<u>10,654,733</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	5,415,023	5,575,163	5,353,078
Added Needs	1,652,005	1,629,652	1,574,061
Supporting Services			
Pupil	279,035	393,035	321,346
Instructional Staff	148,711	104,852	106,450
General Administration	285,813	273,813	238,280
School Administration	787,930	825,967	816,948
Business	539,355	525,786	496,784
Operation and Maintenance	1,429,180	1,518,950	1,497,015
Pupil Transportation Services	938,225	922,000	889,937
Total Expenditures	<u>11,475,277</u>	<u>11,769,218</u>	<u>11,293,899</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,114,484)	(1,178,991)	(639,166)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(203,622)</u>	<u>(198,163)</u>	<u>(188,122)</u>
Net Change in Fund Balance	(1,318,106)	(1,377,154)	(827,288)
<u>FUND BALANCE</u> - Beginning of Year	<u>3,781,423</u>	<u>3,781,423</u>	<u>3,781,423</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 2,463,317</u>	<u>\$ 2,404,269</u>	<u>\$ 2,954,135</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 246,321	\$ 6,121
Taxes Receivable	10,752	9,502
Accounts Receivable	392	0
Due from Other Governmental Units	1,442,416	1,378,924
Due from Other Funds	137,425	0
Inventory	27,300	6,073
Investments	2,294,064	3,503,975
Prepaid Expense	0	963
TOTAL ASSETS	<u>\$ 4,158,670</u>	<u>\$ 4,905,558</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 83,765	\$ 66,037
Due to Other Funds	49,784	31,456
Accrued Expenses	437,527	427,503
Salaries Payable	618,500	599,139
Deferred Revenue	14,959	0
Total Liabilities	<u>1,204,535</u>	<u>1,124,135</u>
<u>FUND BALANCE</u>		
Reserved for:		
Inventory	27,300	6,073
Unreserved		
Undesignated	<u>2,926,835</u>	<u>3,775,350</u>
Total Fund Balance	<u>2,954,135</u>	<u>3,781,423</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,158,670</u>	<u>\$ 4,905,558</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2008	2007
<u>REVENUES</u>		
Local Sources	\$ 1,882,092	\$ 1,783,795
State Sources	7,946,978	8,138,855
Federal Sources	509,253	699,848
Other Transactions	316,410	247,262
	<hr/>	
Total Revenues	10,654,733	10,869,760
	<hr/>	
<u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	2,341,548	2,025,379
Middle School	1,045,086	1,134,475
Secondary	1,770,061	1,813,245
Pre-School	196,383	141,729
Added Needs		
Special Education	867,320	893,964
Compensatory Education	706,741	745,103
Supporting Services		
Pupil		
Guidance Services	320,335	256,984
Health Services	1,011	720
Instructional Staff		
Educational Media Services	58,657	129,553
Professional Development	47,793	53,836
General Administration		
Board of Education	32,528	43,859
Executive Administration	205,752	203,930
School Administration		
Office of the Principal	816,948	798,671
Business		
Fiscal Services	180,127	178,326
Other Business Services	23,363	17,942
Technology Coordinator	293,294	263,414

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2008	2007
Operation and Maintenance	1,497,015	1,115,594
Pupil Transportation Services	889,937	757,764
Facilities Acquisition	0	3,581
Adjustments to Prior Year Accounts	0	10,847
Total Expenditures	11,293,899	10,588,916
Excess (Deficiency) of Revenues Over Expenditures	(639,166)	280,844
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	(188,122)	(198,085)
Net Change in Fund Balance	(827,288)	82,759
<u>FUND BALANCE</u> - Beginning of Year	3,781,423	3,698,664
<u>FUND BALANCE</u> - End of Year	\$ 2,954,135	\$ 3,781,423

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN
GENERAL FUND
COMPARATIVE ANALYSIS OF REVENUES
YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>LOCAL SOURCES</u>		
Property Tax Levy	\$ 1,714,795	\$ 1,565,159
Penalties and Interest on Delinquent Taxes	81	75
Earnings on Investments and Deposits	103,388	144,786
Other Local Revenues		
Miscellaneous		
Insurance Refunds and Claims	20,273	25,216
Other	43,555	48,559
Total Local Sources	<u>1,882,092</u>	<u>1,783,795</u>
<u>STATE SOURCES</u>		
Grants-In-Aid Unrestricted		
Foundation Allowance	7,191,273	7,396,343
Grants-In-Aid Restricted		
State School Aid		
Middle School Math Initiative	0	16,155
Early Childhood Education	175,440	135,300
Special Education	288,943	270,885
At-Risk	259,974	290,114
Durant Settlement	10,545	10,545
Driver Education	0	392
Payments in Lieu of Taxes		
Renaissance Zone	20,765	19,071
Swamp Tax	38	50
Total State Sources	<u>7,946,978</u>	<u>8,138,855</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN
GENERAL FUND
COMPARATIVE ANALYSIS OF REVENUES
YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>FEDERAL SOURCES</u>		
Grants-In-Aid Restricted		
Passed Through the State of Michigan		
Title I	347,271	325,510
Title V Innovative Programs	4,722	4,703
Title II-D Technology Grant	3,259	3,341
Title II-A Improving Teacher Quality	106,962	105,912
Drug Free Schools	7,458	7,668
Freedom to Learn	0	114,000
Comprehensive School Reform	6,350	93,000
Service Provider Self Review	0	4,000
Passed Through Northwest Michigan Human Services Agency, Inc.		
Early Reading First	20,943	0
Passed Through the Intermediate School District		
Medicaid Outreach	8,664	8,075
Passed Through Family Independence Agency		
Family Preservation/Support Services	0	24,500
Passed Through Department of Natural Resources		
National Forest	3,624	9,139
Total Federal Sources	<u>509,253</u>	<u>699,848</u>
<u>OTHER TRANSACTIONS</u>		
Transfers from Other Governmental Units		
Intermediate School Districts		
Transition Grant	3,726	0
Medicaid Caseload Coordination	32,511	49,400
Miscellaneous	800	73,752
Special Education	161,154	100,323
Special Education - Transportation	15,784	21,422
Mini-Grant	5,405	1,307
Sale of Fixed Assets	97,030	1,058
Total Other Transactions	<u>316,410</u>	<u>247,262</u>
TOTAL REVENUES	<u>\$ 10,654,733</u>	<u>\$ 10,869,760</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 1,484,787	\$ 1,271,652
Employee Benefits	749,212	669,978
Purchased Services	2,160	1,611
Supplies and Materials	69,664	59,053
Capital Outlay	35,725	23,085
	<u>2,341,548</u>	<u>2,025,379</u>
<u>Middle School</u>		
Salaries	673,305	640,165
Employee Benefits	326,906	321,926
Purchased Services	93	0
Supplies and Materials	20,979	31,777
Capital Outlay	19,887	139,476
Other Expense	3,916	1,131
	<u>1,045,086</u>	<u>1,134,475</u>
<u>Secondary</u>		
Salaries	1,100,014	1,062,031
Employee Benefits	547,894	542,005
Purchased Services	16,870	98,380
Supplies and Materials	54,434	86,363
Capital Outlay	50,849	24,466
	<u>1,770,061</u>	<u>1,813,245</u>
<u>Pre-School</u>		
Salaries	110,554	87,274
Employee Benefits	73,604	51,914
Purchased Services	10,168	314
Supplies and Materials	2,057	2,227
	<u>196,383</u>	<u>141,729</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	542,461	558,423
Employee Benefits	295,226	311,233
Purchased Services	20,328	17,717
Supplies and Materials	9,305	6,591
	<u>867,320</u>	<u>893,964</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Compensatory Education</u>		
Salaries	442,874	473,908
Employee Benefits	243,084	243,300
Purchased Services	13,907	20,338
Supplies and Materials	5,609	7,557
Capital Outlay	1,267	0
	<u>706,741</u>	<u>745,103</u>
<u>SUPPORTING SERVICES</u>		
<u>Pupil</u>		
<u>Guidance Services</u>		
Salaries	171,136	159,543
Employee Benefits	133,819	85,446
Purchased Services	13,700	8,893
Supplies and Materials	1,680	3,102
	<u>320,335</u>	<u>256,984</u>
<u>Health Services</u>		
Purchased Services	737	720
Supplies and Materials	274	0
	<u>1,011</u>	<u>720</u>
<u>Instructional Staff</u>		
<u>Educational Media Services</u>		
Salaries	25,817	58,988
Employee Benefits	20,549	46,384
Supplies and Materials	2,296	4,801
Capital Outlay	9,995	19,380
	<u>58,657</u>	<u>129,553</u>
<u>Professional Development</u>		
Employee Benefits	23,605	23,533
Purchased Services	11,369	29,603
Other Expense	12,819	700
	<u>47,793</u>	<u>53,836</u>
<u>General Administration</u>		
<u>Board of Education</u>		
Salaries	2,370	2,430
Purchased Services	28,229	40,199
Other Expense	1,929	1,230
	<u>32,528</u>	<u>43,859</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES
YEAR ENDED JUNE 30,

	2008	2007
<u>Executive Administration</u>		
Salaries	149,184	148,098
Employee Benefits	53,335	53,073
Purchased Services	1,380	1,647
Supplies and Materials	1,766	1,046
Other Expense	87	66
	<u>205,752</u>	<u>203,930</u>
<u>School Administration</u>		
<u>Office of the Principal</u>		
Salaries		
School Direction and Management	324,542	366,881
Secretarial-Clerical-Bookkeeper	165,882	167,728
Employee Benefits	272,260	261,536
Purchased Services	52,630	1,188
Supplies and Materials	566	1,338
Capital Outlay	1,068	0
	<u>816,948</u>	<u>798,671</u>
<u>Business</u>		
<u>Fiscal Services</u>		
Salaries	108,557	106,475
Employee Benefits	56,503	54,535
Purchased Services	5,653	3,670
Supplies and Materials	7,279	11,977
Capital Outlay	287	0
Other Expense	1,848	1,669
	<u>180,127</u>	<u>178,326</u>
<u>Other Business Services</u>		
Employee Benefits	14,246	11,562
Purchased Services	580	550
Other Expense	8,537	5,830
	<u>23,363</u>	<u>17,942</u>
<u>Technology Coordination</u>		
Salaries	89,565	117,353
Employee Benefits	35,040	48,503
Purchased Services	28,316	40,747
Supplies and Materials	24,795	15,687
Capital Outlay	115,448	41,124
Other Expense	130	0
	<u>293,294</u>	<u>263,414</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Operation and Maintenance</u>		
Salaries	310,586	301,621
Employee Benefits	184,407	193,812
Purchased Services	892,885	540,088
Supplies and Materials	84,470	61,207
Capital Outlay	24,667	17,313
Other Expense	0	1,553
	<u>1,497,015</u>	<u>1,115,594</u>
<u>Pupil Transportation Services</u>		
Salaries	339,562	286,532
Employee Benefits	221,238	219,802
Purchased Services	17,434	16,215
Supplies and Materials	158,156	164,885
Capital Outlay	151,669	65,732
Other Expense	1,878	4,598
	<u>889,937</u>	<u>757,764</u>
<u>Facilities Acquisition</u>		
Purchased Services	<u>0</u>	<u>3,581</u>
Adjustments to Prior Year Accounts	<u>0</u>	<u>10,847</u>
Total Expenditures	<u>11,293,899</u>	<u>10,588,916</u>
<u>OTHER FINANCING USES</u>		
Transfers Out		
School Service Fund		
Athletics	178,122	188,085
Food Service	<u>10,000</u>	<u>10,000</u>
Total Other Financing Uses	<u>188,122</u>	<u>198,085</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ 11,482,021</u></u>	<u><u>\$ 10,787,001</u></u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	TOTALS	
			2008	2007
<u>ASSETS</u>				
Cash	\$ 6,966	\$ 33,253	\$ 40,219	\$ 49,671
Account Receivable	1,249	0	1,249	368
Due from Other Funds	49,784	12,694	62,478	17,605
Due from Other Governments	3,759	0	3,759	3,858
Inventory - Supplies	900	0	900	882
Inventory - Food	2,509	0	2,509	2,666
TOTAL ASSETS	\$ 65,167	\$ 45,947	\$ 111,114	\$ 75,050
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 3,000
<u>FUND BALANCE</u>				
Reserved for Inventory	3,409	0	3,409	3,548
Unreserved				
Designated for:				
Athletic Activities	0	45,947	45,947	38,776
Food Service	61,758	0	61,758	29,726
Total Fund Balance	65,167	45,947	111,114	72,050
TOTAL LIABILITIES AND FUND BALANCE	\$ 65,167	\$ 45,947	\$ 111,114	\$ 75,050

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	TOTALS	
			2008	2007
<u>REVENUES</u>				
Local Sources	\$ 153,980	\$ 71,027	\$ 225,007	\$ 231,744
State Sources	20,480	0	20,480	19,762
Federal Sources	331,153	0	331,153	339,298
Other Transactions	0	0	0	400
Total Revenues	505,613	71,027	576,640	591,204
<u>EXPENDITURES</u>				
Salaries	126,314	135,350	261,664	275,173
Employee Benefits	119,463	31,040	150,503	165,438
Purchased Services	12,126	41,660	53,786	60,185
Supplies and Materials	215,307	10,248	225,555	239,419
Capital Outlay	6,976	12,961	19,937	18,664
Other Expenses	3,534	10,719	14,253	12,972
Total Expenditures	483,720	241,978	725,698	771,851
Excess (Deficiency) of Revenues Over Expenditures	21,893	(170,951)	(149,058)	(180,647)
<u>OTHER FINANCING SOURCES</u>				
Transfers In				
General Fund	10,000	178,122	188,122	198,085
Net Change in Fund Balance	31,893	7,171	39,064	17,438
<u>FUND BALANCE</u> - Beginning of Year	33,274	38,776	72,050	54,612
<u>FUND BALANCE</u> - End of Year	\$ 65,167	\$ 45,947	\$ 111,114	\$ 72,050

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHOOL SERVICE FUND - FOOD SERVICE

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 6,966	\$ 7,895
Accounts Receivable	1,249	368
Due from Other Funds	49,784	17,605
Due from Other Governments	3,759	3,858
Inventory - Supplies	900	882
Inventory - Food	2,509	2,666
	<hr/>	<hr/>
TOTAL ASSETS	\$ 65,167	\$ 33,274
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Inventory	3,409	3,548
Unreserved		
Designated for Food Service	61,758	29,726
	<hr/>	<hr/>
Total Fund Balance	65,167	33,274
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 65,167	\$ 33,274
	<hr/>	<hr/>

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

SCHOOL SERVICE FUND - FOOD SERVICE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources			
Food Sales to Pupils	\$ 135,000	\$ 139,164	\$ 147,470
Food Sales to Adults	7,100	7,139	7,738
Earnings on Investments and Deposits	600	395	611
Miscellaneous			
Headstart and Other	7,000	7,282	7,218
State Sources			
State Aid	18,000	20,480	19,762
Federal Sources			
Federal Aid	314,000	315,265	297,938
USDA Donated Entitlement Commodities	20,000	15,888	41,220
USDA Donated Bonus Commodities	500	0	140
Other Transactions			
Sale of Fixed Assets	0	0	400
Total Revenues	502,200	505,613	522,497
<u>EXPENDITURES</u>			
Salaries			
Cooks and Assistants	132,000	126,314	135,129
Employee Benefits			
Health, Life and Dental Insurance	93,000	88,751	98,258
Retirement	23,000	21,061	23,655
Employer Social Security	10,500	9,651	10,612
Purchased Services			
Audit	1,500	1,500	1,500
Trash Removal	6,000	5,062	5,115
Repairs	6,500	5,564	3,979
Supplies and Materials			
Food Purchases	192,000	187,923	174,906

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHOOL SERVICE FUND - FOOD SERVICE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
USDA Donated Commodities	20,500	15,888	41,360
Other Supplies	15,000	11,496	13,313
Capital Outlay			
Equipment	7,500	6,976	3,736
Other Expenses			
Sales Tax - Adult Lunches	440	404	438
Miscellaneous	3,600	3,130	1,507
Total Expenditures	511,540	483,720	513,508
Excess (Deficiency) of Revenues Over Expenditures	(9,340)	21,893	8,989
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	10,000	10,000	10,000
Net Change in Fund Balance	660	31,893	18,989
<u>FUND BALANCE</u> - Beginning of Year	33,274	33,274	14,285
<u>FUND BALANCE</u> - End of Year	\$ 33,934	\$ 65,167	\$ 33,274

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHOOL SERVICE FUND - ATHLETIC ACTIVITIES

COMPARATIVE BALANCE SHEET
JUNE 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 33,253	\$ 41,776
Due from Activity Fund	12,694	0
	<hr/>	
TOTAL ASSETS	\$ 45,947	\$ 41,776
<hr/>		
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 3,000
<u>FUND BALANCE</u>		
Unreserved		
Designated for Athletic Activities	45,947	38,776
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 45,947	\$ 41,776
<hr/>		

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

SCHOOL SERVICE FUND - ATHLETIC ACTIVITIES

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources			
Admissions	\$ 32,000	\$ 44,631	\$ 33,091
Donations	6,000	7,222	6,030
District/Regional Meets	1,000	3,425	7,520
Sale of Supplies	500	0	962
Tournament Entry Fees	8,000	7,181	16,122
Concession	4,000	6,428	4,075
Miscellaneous Revenue	0	1,141	0
Earnings on Investments and Deposits	0	999	907
Total Revenues	51,500	71,027	68,707
<u>EXPENDITURES</u>			
Salaries			
Coaches	144,300	135,350	140,044
Employee Benefits			
Retirement	24,125	20,708	22,241
Employer Social Security	11,050	10,332	10,672
Purchased Services			
Officials	26,000	22,470	22,449
Game Workers	2,000	1,245	1,790
Registrations, Dues and Entry Fees	7,000	8,103	13,900
Repairs, Equipment and Uniforms	15,000	9,842	11,452
Supplies and Materials			
Athletic Supplies	7,000	3,956	6,467
Awards and Trophies	6,000	6,292	3,373
Capital Outlay			
Equipment	16,000	12,961	14,928

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHOOL SERVICE FUND - ATHLETIC ACTIVITIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
Other Expenses			
Mileage and Conferences	2,750	0	0
District/Regional Meets	6,000	4,218	2,740
Transportation	7,500	4,020	5,766
Miscellaneous	0	2,481	2,521
Total Expenditures	274,725	241,978	258,343
Excess (Deficiency) of Revenues Over Expenditures	(223,225)	(170,951)	(189,636)
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	203,622	178,122	188,085
Net Change in Fund Balance	(19,603)	7,171	(1,551)
<u>FUND BALANCE</u> - Beginning of Year	38,413	38,776	40,327
<u>FUND BALANCE</u> - End of Year	\$ 18,810	\$ 45,947	\$ 38,776

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

		1999	1998	TOTAL	
		PINE RIVER	DURANT	2008	2007
		DEBT	DEBT		
<u>ASSETS</u>					
Taxes Receivable		\$ 997	\$ 0	\$ 997	\$ 933
Due from Other Funds		0	0	0	13,851
Investments		491,197	0	491,197	375,686
TOTAL ASSETS		\$ 492,194	\$ 0	\$ 492,194	\$ 390,470
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Due To Other Funds		\$ 130,528	\$ 0	\$ 130,528	\$ 0
<u>FUND BALANCE</u>					
Reserved for Debt Service		361,666	0	361,666	390,470
TOTAL LIABILITIES AND FUND BALANCE		\$ 492,194	\$ 0	\$ 492,194	\$ 390,470

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

	1999 PINE RIVER DEBT	1998 DURANT DEBT	TOTAL 2008	2007
<u>REVENUES</u>				
Local Sources				
Property Tax Levy	\$ 534,868	\$ 0	\$ 534,868	\$ 653,185
Earnings on Investments and Deposits	16,258	0	16,258	14,199
Total Revenues	551,126	0	551,126	667,384
<u>EXPENDITURES</u>				
Redemption of Serial Bonds	300,000	0	300,000	285,000
Interest on Debt	277,435	0	277,435	289,002
Dues and Fees	2,495	0	2,495	393
Total Expenditures	579,930	0	579,930	574,395
Excess (Deficiency) of Revenues Over Expenditures	(28,804)	0	(28,804)	92,989
<u>FUND BALANCE</u> - Beginning of Year	390,470	0	390,470	297,481
<u>FUND BALANCE</u> - End of Year	\$ 361,666	\$ 0	\$ 361,666	\$ 390,470

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET

JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

		PRIVATE PURPOSE	AGENCY FUNDS		TOTALS	
		TRUST FUND	STUDENT ACCOUNTS	ACTIVITY ACCOUNTS	2008	2007
<u>ASSETS</u>						
Cash		\$ 0	\$ 53,705	\$ 0	\$ 53,705	\$ 75,520
Investments		29,147	6,870	57,941	93,958	72,270
TOTAL ASSETS		<u>\$ 29,147</u>	<u>\$ 60,575</u>	<u>\$ 57,941</u>	<u>\$ 147,663</u>	<u>\$ 147,790</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Due to Other Funds		\$ 0	\$ 0	\$ 19,591	\$ 19,591	\$ 0
Due to Groups and Organizations		0	60,575	38,350	98,925	118,824
TOTAL LIABILITIES		0	60,575	57,941	118,516	118,824
<u>FUND BALANCE</u>						
Reserved for						
Student Scholarships		29,147	0	0	29,147	28,966
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 29,147</u>	<u>\$ 60,575</u>	<u>\$ 57,941</u>	<u>\$ 147,663</u>	<u>\$ 147,790</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

PRIVATE PURPOSE TRUST FUND
MILDRED LARSON SCHOLARSHIP

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Earnings on Investments	\$ 1,181	\$ 1,425
<u>EXPENDITURES</u>		
Scholarships Awarded	<u>1,000</u>	<u>500</u>
Excess (Deficiency) of Revenues Over Expenditures	181	925
<u>FUND BALANCE</u> - Beginning of Year	<u>28,966</u>	<u>28,041</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 29,147</u>	<u>\$ 28,966</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUND
STUDENT ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

	BALANCE 7/01/07	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/08
Band	\$ (168)	\$ 12,073	\$ 12,605	\$ (700)
Band Boosters	252	7,545	7,807	(10)
Buckaneer (School Paper)	0	17	0	17
Choir	0	1,010	1,010	0
Class of 2006	92	0	0	92
Class of 2007	189	0	0	189
Class of 2008	263	4,021	4,059	225
Class of 2009	2,463	876	3,079	260
Class of 2010	1,690	2,632	2,867	1,455
Class of 2011	927	3,028	2,006	1,949
Class of 2012	710	3,736	2,295	2,151
Class of 2013	401	3,985	3,919	467
Class of 2014	0	4,914	4,044	870
Color Guard	209	580	672	117
Destination	13,876	8,218	6,448	15,646
Drama Club - HS	3,950	1,817	3,002	2,765
Drama Club - MS	1,201	401	510	1,092
Fedewa D.I. Scholarship	4,000	0	500	3,500
"Jean" Benefit	0	1,032	1,032	0
Kindergarten Snack	213	0	0	213
Middle School Jean Account	697	320	412	605
Middle School Flower Fund	69	71	140	0
Middle School Pop Fund	3,636	2,779	2,819	3,596
N.H.S.	1,005	2,281	2,063	1,223
N.J.H.S.	846	689	425	1,110
Omega Project	94	0	0	94
Scholarship	31,792	4,081	5,500	30,373
Spanish Trip	1,126	28,718	30,638	(794)
Class Projects (Benson)	621	2,630	3,886	(635)
Student Council - MS	1,498	494	945	1,047
Student Council - HS	(505)	2,702	2,324	(127)

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUND
STUDENT ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

	BALANCE 7/01/07	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/08
S.A.D.D. - MS	205	0	0	205
S.A.D.D. - HS	105	0	0	105
Vending Machine	1,487	3,914	3,803	1,598
Yearbook - MS	(1,005)	1,258	1,302	(1,049)
Yearbook - HS	(2,587)	8,052	12,539	(7,074)
	<u>\$ 69,352</u>	<u>\$ 113,874</u>	<u>\$ 122,651</u>	<u>\$ 60,575</u>
Represented by				
Assets				
Cash	\$ 69,352			\$ 53,705
Investments	0			6,870
Total Assets	<u>\$ 69,352</u>			<u>\$ 60,575</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 69,352</u>			<u>\$ 60,575</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUND
ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

	BALANCE 7/01/07	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/08
Administrative Flower Fund	\$ 161	\$ 663	\$ 824	\$ 0
Art Department	282	0	0	282
A Team	0	100	0	100
Band Special Project	0	1,507	40	1,467
Best Scholarship	70	0	0	70
Cheerleading	1,685	5,208	4,934	1,959
Cheerleading - MS	0	320	300	20
Coaches Golf	7,780	10,578	9,290	9,068
Cross Country	1,740	50	1,071	719
Elementary Library	164	0	54	110
English Department	1,000	0	992	8
Football	876	10,951	9,864	1,963
Football M.S.	593	0	0	593
Girls Basketball	1,186	3,505	4,006	685
Girls Track	(1,652)	1,890	238	0
High School Library	2,586	1,610	1,947	2,249
Leroy Activities	1,499	3,343	2,718	2,124
Luther Activities	3,059	3,368	3,688	2,739
Northern Travel League	20	715	713	22
Paul Chilson Grant	0	1,175	1,175	0
P.R. Golf Classic	1,526	0	1,259	267
Revolving Fund	1,584	1,614	1,732	1,466
Scott Buckmaster Grant	0	100	0	100
Senior Parent Group	0	3,746	3,566	180
Shop Class	899	2,890		3,789
Shop "Chair" Account	1,649	0	1,649	0
Ski Club	228	0	0	228
Soccer	610	1,750	1,354	1,006
Softball	1,236	3,348	2,997	1,587
Special Activities - MS	3,649	909	724	3,834
Special Activities - HS	3,489	4,247	3,136	4,600

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUND
ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

	BALANCE 7/01/07	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/08
Summer Basketball	1,178	972	1,465	685
Science - MS	0	183	0	183
Summer Camps	1,002	871	800	1,073
Tech Dept.	1,884	695	417	2,162
Track - MS	0	780	1,189	(409)
Tustin Activities	3,652	7,368	2,949	8,071
Varsity Baseball	1,028	3,454	3,167	1,315
Varsity Track	1,372	948	1,928	392
Varsity Volleyball	2,810	2,067	2,330	2,547
Volleyball M.S.	321	1,811	1,978	154
Weight Room	488	523	1,135	(124)
Wrestling Resale	(1,326)	6,198	5,302	(430)
Youth Basketball	1,144	2,221	2,278	1,087
	<u>\$ 49,472</u>	<u>\$ 91,678</u>	<u>\$ 83,209</u>	<u>\$ 57,941</u>
Represented by				
Assets				
Cash	\$ 6,168			\$ 0
Investments	43,304			57,941
Total Assets	<u>\$ 49,472</u>			<u>\$ 57,941</u>
Liabilities				
Due to Other Funds	\$ 0			\$ 19,591
Due to Groups and Organizations	49,472			38,350
Total Liabilities	<u>\$ 49,472</u>			<u>\$ 57,941</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF 2007 TAX ROLL
YEAR ENDED JUNE 30, 2008

	STATE TAXABLE VALUATION	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND (18.0000 MILLS)</u>				
<u>OSCEOLA COUNTY</u>				
Burdell Township	\$ 11,654,509	\$ 209,779	\$ 176,648	\$ 33,131
Cedar Township	4,851,827	87,331	77,790	9,541
Hartwick Township	395,775	7,124	6,567	557
LeRoy Township	11,125,082	200,251	176,296	23,955
Lincoln Township	5,843,801	105,187	90,274	14,913
Rose Lake Township	24,400,067	439,197	388,881	50,316
Sherman Township	7,717,491	138,914	122,741	16,173
<u>WEXFORD COUNTY</u>				
Cherry Grove Township	331,625	5,969	4,490	1,479
Clam Lake Township	1,152,479	20,744	18,715	2,029
<u>LAKE COUNTY</u>				
Dover Township	5,227,133	94,087	85,239	8,848
Ellsworth Township	9,923,611	178,625	157,109	21,516
Newkirk Township	9,766,870	175,801	145,038	30,763
Pinora Township	2,687,075	48,381	38,210	10,171
	<u>\$ 95,077,345</u>	<u>\$ 1,711,390</u>	<u>\$ 1,487,998</u>	<u>\$ 223,392</u>
<u>DEBT RETIREMENT FUND (2.5000 MILLS)</u>				
<u>(1999 BOND ISSUE)</u>				
<u>OSCEOLA COUNTY</u>				
Burdell Township	\$ 33,525,757	\$ 84,107	\$ 73,545	\$ 10,562
Cedar Township	8,563,278	21,407	19,195	2,212
Hartwick Township	1,439,265	2,609	2,397	212
LeRoy Township	29,920,961	74,799	66,162	8,637
Lincoln Township	14,434,260	36,084	30,746	5,338
Rose Lake Township	47,350,759	118,221	104,093	14,128
Sherman Township	20,366,604	50,915	45,337	5,578
<u>WEXFORD COUNTY</u>				
Cherry Grove Township	834,087	2,085	1,821	264
Clam Lake Township	3,540,497	8,855	8,112	743
<u>LAKE COUNTY</u>				
Dover Township	10,910,526	27,275	23,565	3,710
Ellsworth Township	20,974,370	52,433	44,957	7,476
Newkirk Township	16,812,931	42,029	34,472	7,557
Pinora Township	5,615,964	14,050	11,202	2,848
	<u>\$ 214,289,259</u>	<u>\$ 534,869</u>	<u>\$ 465,604</u>	<u>\$ 69,265</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF 2007 INDUSTRIAL FACILITIES TAX ROLL
YEAR ENDED JUNE 30, 2008

	STATE TAXABLE VALUATION	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND (9.0000 MILLS)</u>				
<u>OSCEOLA COUNTY</u>				
LeRoy Township				
State Share	\$ 613,554	\$ 5,522	\$ 5,522	\$ 0
Lincoln Township				
State Share	80,750	727	0	727
	<u>\$ 694,304</u>	<u>\$ 6,249</u>	<u>\$ 5,522</u>	<u>\$ 727</u>
<u>DEBT RETIREMENT FUND (1.6250 MILLS)</u>				
<u>(1999 BOND ISSUE)</u>				
<u>OSCEOLA COUNTY</u>				
LeRoy Township				
School District Share	\$ 613,554	\$ 997	\$ 997	\$ 0
Lincoln Township				
School District Share	80,750	131	0	131
	<u>\$ 694,304</u>	<u>\$ 1,128</u>	<u>\$ 997</u>	<u>\$ 131</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 1998 BOND ISSUE
JUNE 30, 2008

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond (Durant Settlement)
<u>PURPOSE</u>	This bond, including interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 to the School District.
<u>DATE OF ISSUE</u>	November 24, 1998
<u>INTEREST PAYABLE</u>	May 15th, of each year
<u>AMOUNT OF ISSUE</u>	\$ 105,448
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 38,081
During Current Year	0
	38,081
<u>BALANCE OUTSTANDING - June 30, 2008</u>	\$ 67,367

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 15, 2009	4.070 %	\$ 7,405	\$ 7,405	\$ 0
May 15, 2010	4.070 %	49,753	2,908	46,845
May 15, 2011	4.070 %	7,405	835	6,570
May 15, 2012	4.070 %	7,405	568	6,837
May 15, 2013	4.070 %	7,404	289	7,115
		\$ 79,372	\$ 12,005	\$ 67,367

REDEMPTION OF BONDS PRIOR TO MATURITY This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this bond.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 1999 BOND ISSUE
JUNE 30, 2008

DATE OF ISSUE

June 2, 1999

PURPOSE AND SECURITY

The Bonds were issued for the purpose of (i) refunding all of the School District's 1995 School Building and Site Bonds, dated August 1, 1995, maturing on May 1 in the years 2006 through 2021 (the "Prior Bonds"); and (ii) paying the costs of issuing the Bonds.

The Bonds were issued by the School District pursuant to the provisions of Act 202, Public Acts of Michigan 1943, as amended, Act 451, Public Acts of Michigan, 1976, as amended, and resolutions adopted by the Board of Education of the School District on January 11, 2001, and May 10, 2001.

The Bonds are a full faith and credit unlimited tax general obligation of the School District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the School District without limitation as to rate or amount.

INTEREST PAYABLE

May 1, and November 1,

INTEREST RATES

3.90% to 5.00%

AMOUNT OF ISSUE

\$ 6,670,000

AMOUNT REDEEMED

Prior to Current Year

\$ 755,000

During Current Year

300,000

1,055,000

BONDS OUTSTANDING - June 30, 2008

\$ 5,615,000

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 1999 BOND ISSUE
JUNE 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2008		\$ 132,141	\$ 132,141	
May 1, 2009	4.35 %	452,141	132,141	\$ 320,000
November 1, 2009		125,181	125,181	
May 1, 2010	4.35 %	465,181	125,181	340,000
November 1, 2010		117,786	117,786	
May 1, 2011	4.40 %	472,786	117,786	355,000
November 2011		109,976	109,976	
May 1, 2012	4.45 %	479,976	109,976	370,000
November 1, 2012		101,744	101,744	
May 1, 2013	4.55 %	491,744	101,744	390,000
November 1, 2013		92,871	92,871	
May 1, 2014	4.60 %	502,871	92,871	410,000
November 1, 2014		83,441	83,441	
May 1, 2015	4.70 %	513,441	83,441	430,000
November 1, 2015		73,336	73,336	
May 1, 2016	4.75 %	523,336	73,336	450,000
November 1, 2016		62,649	62,649	
May 1, 2017	4.80 %	532,649	62,649	470,000
November 1, 2017		51,369	51,369	
May 1, 2018	4.85 %	546,369	51,369	495,000
November 1, 2018		39,365	39,365	
May 1, 2019	4.90 %	559,365	39,365	520,000
November 1, 2019		26,625	26,625	
May 1, 2020	5.00 %	551,625	26,625	525,000
November 1, 2020		13,500	13,500	
May 1, 2021	5.00 %	553,500	13,500	540,000
		<u>\$ 7,674,968</u>	<u>\$ 2,059,968</u>	<u>\$ 5,615,000</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 1999 BOND ISSUE
JUNE 30, 2008

REDEMPTION OF BONDS PRIOR TO MATURITY

A. Mandatory Redemption of Term Bonds

The Bonds maturing on May 1, 2021, are term bonds (the "Term Bonds") subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount of such Bonds, without premium, together with interest on such Bonds to the redemption date. When Term Bonds are purchased by the School District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in the order determined by the School District.

Term Bonds due May 1, 2021	
Redemption Dates	Principal Amounts
May 1, 2021 (maturity)	\$ 540,000

REDEMPTION OF BONDS PRIOR TO MATURITY

B. Optional Redemption

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2010, are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2009, at par and accrued interest to the date fixed for redemption.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2008

PROPERTY VALUATIONS

In accordance with Act 539, Public Acts of Michigan, 1982, and Article IX, Section 3 of the Michigan Constitution, the ad valorem state equalized valuation represents 50% of true cash value. State equalized valuation does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under either Act 198, Public Acts of Michigan, 1974, as amended, or Act 255, Public Acts of Michigan, 1978, as amended. As a result of Proposal A, ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. State Equalized Value is used in the calculation of Debt Margin and True Cash Value.

Taxable property in the School District is assessed by the local municipal assessor, and is subject to review by the County Equalization Department.

<u>YEAR</u>		<u>TAXABLE VALUE</u>	<u>YEAR</u>		<u>TAXABLE VALUE</u>
2007	\$	214,289,259	2002	\$	155,111,348
2006	\$	200,665,649	2001	\$	144,357,470
2005	\$	186,433,426	2000	\$	133,133,168
2004	\$	175,021,707	1999	\$	125,909,067
2003	\$	163,562,010	1998	\$	119,240,654

* A total of \$119,211,914 of the 2007 Taxable Value not including industrial facility tax valuations is classified as homestead property.

Source: Counties of Wexford, Osceola and Lake Equalization Departments.

Per Capita Valuation

2007 Per Capita Taxable Value	\$	35,715
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Industrial Facilities Tax

Act 198 of the Public Acts of Michigan, 1974, as amended ("Act 198"), provides significant property tax incentives to industry to renovate and expand aging plants and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property tax owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem taxes on the facility and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the state equalized valuation of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. New plants and equipment receiving their abatement certificate prior to

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2008

January 1, 1994 are taxed at one-half the total mills levied by all taxing units, other than mills levied for local and intermediate school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for school operating purposes in 1993. For new facility abatements granted after 1993, new plants and equipment are taxed at one-half of the total mills levied as ad valorem property taxes by all taxing units except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land is not reduced in any way since land is specifically excluded under Act 198.

The School District has the following IFT abatements outstanding within its boundaries:

Company	Expires 12/31	Type	2007
Northern Precision Machine Products, Inc.	2007	New	\$ 0
Michiana Box & Crate, Inc.	2009	New	80,800
LeRoy Tool & Die, Inc.	2010	New	0
Advanced Fibermolding, Inc.	2010	New	0
LeRoy Tool & Die, Inc.	2011	New	0
Total			<u>\$ 80,800</u>

Source: School District

MAJOR TAXPAYERS

The top ten taxpayers in the School District and their 2007 Taxable Value are as follows:

<u>Taxpayer</u>	<u>Taxable Value</u>
Great Lakes Energy	\$ 1,659,900
Consumer Energy Co.	1,410,385
Heritage Broadcasting Co.	1,392,883
Michigan Consolidated Gas Co.	1,172,409
Advanced Fibermolding	828,599
Paul and Linda Roose	512,073
Craig and Michael Erickson	506,331
Jack Powell	478,291
Rose Golf Partners, LLC	429,600
Verizon Wireless	368,680
TOTAL	<u>\$ 8,759,151</u>

The Taxable Values of the above taxpayers represent 4.09% of the School District's 2007 Taxable Value of \$214,289,259.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2008

Source: Osceola, Lake and Wexford County Equalization Departments.

TAX RATES (Per \$1,000 of Valuation)

Under Michigan statutes, the property tax base used for levies authorized for school districts is the same as that used for county, township, special authority, and city levies. Each school district, county, township, special authority and city has a geographical definition which constitutes a tax district. Since local school districts and the county overlap either a township or a city, and intermediate school districts overlap local school districts and county boundaries, the result is many different tax rate districts.

School District Tax Rates

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Pine River Area Schools</u>					
Voted	18.0000	18.0000	18.0000	17.1162	18.0000
Debt	<u>2.5000</u>	<u>3.2500</u>	<u>3.2000</u>	<u>3.5000</u>	<u>3.6000</u>
Total	<u>20.5000</u>	<u>21.2500</u>	<u>21.2000</u>	<u>20.6162</u>	<u>21.6000</u>
TOTAL HOMESTEAD	<u>2.5000</u>	<u>3.2500</u>	<u>3.2000</u>	<u>3.5000</u>	<u>3.6000</u>
TOTAL NON-HOMESTEAD	<u>20.5000</u>	<u>21.2500</u>	<u>21.2000</u>	<u>20.6162</u>	<u>21.6000</u>

Other Tax Rates

State Education Fund *	6.0000	6.0000	6.0000	5.0000	6.0000
Osceola County	9.1851	7.0506	9.1999	9.1661	9.2373
Wexford-Missaukee I/S/D	5.9419	5.9614	5.9583	6.0003	6.0388
Lake County	11.0052	11.2545	11.4961	11.3716	11.5497
Wexford County	10.3558	10.1331	10.1620	10.1660	11.2128
Village of LeRoy	6.0000	5.3254	5.3254	5.3254	5.4514
Village of Luther	10.0000	10.0000	10.0000	10.0000	10.0000
Village of Tustin	10.0000	10.0000	10.0000	10.0000	10.0000

- * Pursuant to a ballot proposal approved by the electors of the State of Michigan on March 15, 1994, beginning with the December 1, 1994, tax levy, the State of Michigan levies 6.00 mills (5.00 mills for 2004) for school operating purposes on all homestead and non-homestead property located within the School District. The School District levies up to 18.00 mills of voted operating millage on non-homestead property and levies authorized debt millage on all homestead and non-homestead property located with the School District.

Source: School District.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2008

STATE AID PAYMENTS

Historically, the School District levied taxes for school operating revenues at much higher rates than currently being levied. In 1994, the State of Michigan significantly modified the mechanisms for school finance. The School District receives a state aid foundation allowance per pupil.

The following table shows a seven year history of the School District's total state aid collections, including categoricals and other amounts, and the per pupil state aid foundation allowance, which reflects the changes in sources of school operating revenue described above:

<u>Year</u>	<u>Total</u>	<u>State Amount Received Per Pupil</u>	<u>Foundation Allowance Per Pupil</u>
2007/2008	\$ 7,926,175	\$ 6,356	\$ 7,204
2006/2007	8,119,734	6,373	7,085
2005/2006	8,094,964	6,359	6,875
2004/2005	8,112,152	6,054	6,700
2003/2004	8,204,749	6,033	6,700
2002/2003	8,334,957	6,079	6,700
2001/2002	8,332,053	6,007	6,300

Source: Michigan Department of Education and School District

TAX LEVIES AND COLLECTIONS

The School District's fiscal year begins July 1 and ends June 30. School District property taxes are due December 1 of each fiscal year and are payable without interest or penalty on or before the following February 14. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurers for collection. Osceola, Lake and Wexford Counties annually pay from their Tax Revolving Funds delinquent taxes on real property to all taxing units in the Counties, including the School District, shortly after the date delinquent taxes are returned to the County Treasurers for collection. The payments from these funds have resulted in collections of taxes approaching 100% for all taxing units. Delinquent personal property taxes are negligible.

A history of tax levies and collections for the School District is as follows:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2008

YEAR	OPERATING TAX LEVY	COLLECTIONS TO MARCH 1, EACH YEAR		COLLECTIONS PLUS FUNDING TO JUNE 30, EACH YEAR	
2007/08	\$ 1,711,390	\$ 1,487,998	86.95%	\$ 1,709,638	99.90%
2006/07	1,565,158	1,372,263	87.68%	1,564,252	99.94%
2005/06	1,451,225	1,278,051	88.07%	1,445,160	99.58%
2004/05	1,357,255	1,211,263	89.24%	1,352,261	99.63%
2003/04	1,197,838	1,055,487	88.12%	1,183,623	98.81%
2002/03	1,215,185	1,040,483	85.62%	1,206,385	99.28%
2001/02	1,132,916	987,154	87.13%	1,127,483	99.52%
2000/01	1,043,915	892,673	85.51%	1,037,260	99.36%
1999/00	966,480	827,902	85.66%	961,497	99.48%
1998/99	962,334	821,364	85.35%	960,372	99.80%

Source: School District

The Tax Revolving Funds are financed through the issuance of General Obligation Limited Tax Notes (GOLTNs). Although the Counties anticipate the continuance of these programs, the ability to issue such GOLTNs is subject to Michigan Department of Treasury approval and market conditions at the time of offering. In addition, Act 206 of 1893, as amended, provides in part that: "The primary obligation to pay to the county the amount of taxes and interest thereon shall rest with the local taxing units, and if the delinquent taxes which are due and payable to the counties are not received by the counties for any reason, the counties have full right of recourse against the taxing unit to recover the amount thereof and interest thereon..." On the first Tuesday in May in each year, a tax sale is held by the Counties at which lands delinquent for taxes assessed in the third year preceding the sale, or in a prior year, are sold for the total of the unpaid taxes of those years.

The General Property Tax Act was amended by Act 123 of the Public Acts of Michigan of 1999. Act 123, which was signed by Governor Engler on July 22, 1999, extensively revises the procedures for the collection of delinquent property taxes. Act 123 has the effect of shortening the process for the collection of delinquent taxes from approximately six years (including statutory redemption periods) to less than three years.

LABOR FORCE

A breakdown of the number of employees of Pine River Area Schools and their affiliation with organized groups is as follows:

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2008

EMPLOYEES	NUMBER	BARGAINING UNIT	CONTRACT EXPIRATION
Administrators	6	Non Affiliated	N/A
Teachers	76	Pine River Ed. Assn./MEA/NEA	8/31/09
Secretaries	6	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Aides	13	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Custodians	8	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Transportation	15	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Food Service	6	Pine River Ed. Sup. Assn./MEA/NEA	8/31/08
Central Office Staff	6	Non Affiliated	N/A
TOTAL STAFF	<u>136</u>		

The School District has not experienced a strike by any of its bargaining units within the past twenty years.

PENSION FUND

For the period from October 1, 1997 through September 30, 1998, the School District paid an amount equal to 11.12% of its employees' wages to the Michigan Public School Employees Retirement System ("MPERS") which is administered by the State of Michigan. For the period from October 1, 2000, through September 30, 2001, the applicable percentage is 12.16%. For the period October 1, 2001, through September 30, 2002, the applicable percentage is 12.17%. For the period October 1, 2002, through September 30, 2004, the applicable percentage is 12.99%. For the period October 1, 2004, through September 30, 2005, the applicable percentage is 14.87%. For the period October 1, 2005, through September 30, 2006, the applicable percentage is 16.34%. For the period October 1, 2006, through September 30, 2007, the applicable percentage is 17.74%. These contributions are required by law. The School District's contributions for the past five years are shown below. The School District does not have an unfunded accrued liability under MPERS. For the period October 1, 2007, through September 30, 2008, the applicable percentage is 16.72%.

YEAR ENDING JUNE 30	PAID TO PENSION FUND
2008	\$ 1,042,250
2007	1,033,284
2006	914,071
2005	840,420
2004	776,744
2003	811,992

Effective January 1, 1987, members of MPERS may irrevocably elect to contribute a percentage of their gross wages on a tax deferred basis to a "member investment plan" ("MIP") which qualifies them for additional benefits. The current contribution rate of 3.9% became effective January 1, 1990, representing a change from the previous contribution rate of 4%. This option to review and adjust the contribution rate is available to MPERS members, if necessary, every three years. All employees hired after January 1, 1990,

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2008

will contribute to the plan at a graduated rate of their gross wages. If a member leaves MPSERS service before a retirement benefit has vested, the member's accumulated contributions to MIP, plus interest, if any, are refundable.

DEBT STATEMENT (As of June 30, 2008)

DIRECT DEBT

DATE ISSUE	PURPOSE	TYPE	INTEREST SPREAD	MATURITIES	AMOUNT OUTSTANDING
11/24/98	School Improvement		4.07%	05-15-10/2013	\$ 67,367
06/02/99	Refunding	UTQ	4.35%-5.00%	05-01-09/2021	5,615,000
					<u>\$ 5,682,367</u>

SCHOOL ENROLLMENT

Historical enrollment for the School District (Fall Pupil Count Day) is as follows:

SCHOOL YEAR	ENROLLMENT	SCHOOL YEAR	ENROLLMENT
2007/08	1,247	2000/01	1,374
2006/07	1,274	1999/00	1,383
2005/06	1,273	1998/99	1,411
2004/05	1,322	1997/98	1,385
2003/04	1,342	1996/97	1,380
2002/03	1,350	1995/96	1,416
2001/02	1,387	1994/95	1,382

Enrollment by grades - 2007/08 (Fall Pupil Count Day) is as follows:

Kindergarten	85	Seventh	103
First	72	Eighth	91
Second	70	Ninth	114
Third	86	Tenth	106
Fourth	87	Eleventh	110
Fifth	81	Twelfth	104
Sixth	93	Special Education	<u>45</u>
			<u>TOTAL</u>
			<u>1,247</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

GENERAL OBLIGATION BONDS CONTINUING DISCLOSURE
JUNE 30, 2008

Projected enrollment - (2008/09) is as follows:

K-5	474
6-8	265
9-12	380
Special Education	<u>117</u>
Total	<u><u>1,236</u></u>

Source: School District

GENERAL FUND BUDGET SUMMARY

See Budgetary Comparison Schedule - General Fund on Page 24

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
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October 23, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education
Pine River Area Schools
LeRoy, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine River Area Schools for the year ended June 30, 2008, and have issued our report thereon dated October 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 3, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Pine River Area Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Pine River Area Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Pine River Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed several adjusting journal entries which were reviewed and accepted by management. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Pine River Area Schools for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

Continuing Disclosure Requirements

Regulations relative to the 1999 bond issue refunding require that the District provide annual continuing disclosure information to the bondholders until all of the bonds are paid in full. These disclosures can be included as supplemental information with the audit report or the school can provide this information separate from the audit. In the past, we have included the data right in the audit report and have accumulated this data with the assistance of your accounting staff and the county equalization departments so that the disclosure requirements are met. We have discussed this with the administration and will currently continue to include this data in your annual audit.

Single Audit Report

The Pine River Area Schools received over \$500,000 in federal funds and, therefore, are required to have a "Single Audit" in accordance with various federal and state guidelines. We will be completing the required Single Audit and will issue our reports thereon under a separate cover from your regular annual financial statements.

Lack of Adequate Internal Controls Over Decentralized Cash Collections

Management is responsible for establishing and maintaining internal controls over cash for the district.

At many school districts, internal controls over decentralized cash collections present a challenge for management. The District currently does not have entirely effective controls in place related to decentralized cash collections.

This condition was caused by limited personnel involved in the process and a lack of signed documentation related to the cash collection process.

The effect of this condition is that an environment is created in which the potential exists for cash collections to not be deposited into the District's bank accounts and go undetected in the financial recordkeeping process.

The District is aware of this limitation, and is in the process of evaluating and implementing controls to correct or mitigate this situation in the future.

Act 621 (Uniform Budgeting and Accounting Act)

Our comments relative to the District's budgeting procedures are as follows:

The Food Service Fund budget was not adopted until 8/13/07 and the Athletic Activities Fund budget was not adopted until 10/8/07. All budgets must be adopted before the beginning of the fiscal year.

The General Fund expenditures exceeded budget in Supporting Services – Instructional Staff by \$1,598.

Bank Reconciliations

The General Fund and Athletic Activities Fund bank reconciliations did not reconcile to the SDS trial balance for the cash accounts. It was noted that in the Athletic Activities Fund that deposits were posted in the general ledger timely but not deposited in the bank timely resulting in a two to four month lag. The money was used as seed money for teacher and event cash boxes. This several month lag period makes it very difficult to reconcile the bank accounts timely.

To improve lack of adequate internal controls relating to lack of segregation of duties because of the limited number of employees in the accounting function, we recommend that the person who is responsible for the general fund general ledger not be the same person who is responsible for completing the general fund bank reconciliation. Having someone else reconciling the bank account would be a compensating control for the lack of segregation of duties.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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